

November 6, 2003

Opening Statement by Congressman Paul E. Gillmor
House Financial Services Committee
Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
Hearing entitled, "Mutual Funds: Who's Looking Out for Investors?" Day 2

Thank you again, Mr. Chairman, for calling these important hearings to allow a full exploration of recent trading abuses and a full discussion of the changes necessary in our current regulatory structure overseeing the mutual fund industry.

As we all discussed in Tuesday's hearing, mutual funds manage some \$7 trillion in investments for 95 million investors. They allow millions of average Americans to access the stock market, often through their pension fund investments, with the benefit of professional fund managers.

Clearly the questionable trading practices discussed this week and resulting in the high profile removal of Putnam Investments LLC chief executive Lawrence J. Lasser, as well as Juan M. Marcelino, head of the New England regional office of the Securities and Exchange Commission (SEC), have exposed widespread problems in oversight of the mutual fund industry.

During Tuesday's hearing we discussed the responsibilities of fund managers, state regulators, and the Securities and Exchange Commission (SEC) in ensuring that such manipulations do not continue. I am interested to hear more from our witnesses today on the question of whether further regulation or stronger enforcement is the most effective way to address these problems.

On September 30, 2003 SEC Chairman Donaldson outlined a five-part regulatory action plan to address the questionable trading practices recently uncovered and this Committee took the first step toward strengthening federal regulation of the mutual funds industry in passing the Mutual Funds Integrity and Fee Transparency Act (HR 2420) last July.

Thank you again, Mr. Chairman, for your leadership on this issue and I look forward to continuing our important discussion of necessary reforms within the mutual fund industry.